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ABSTRACT

In the financing of higher education there are at least three major complications: (1) identifying the multiple outputs produced by an institution; (2) determining the costs associated with producing particular outputs, and (3) relating sources of income to costs of production. The use of several different budgets is essential. Every institution needs at least three: for instruction, for student financial assistance, and for auxiliary purposes. The tasks of analysis and development begin with these separate budgets. Instructional expenditures and instructional income are examined in detail as they relate to the budgetary process in public colleges and universities. No simple solutions to reduction of expenditures are found; every reduction takes away some fraction of college or university effectiveness in the delivery of a quality output in instructional service and in other outputs. The role of state governments in financing higher education will become more and more important. (Author/LBH)

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Financing Instruction in Public Higher Education

by John D. Millett

Financing America's colleges and universities has been a major problem for boards of trustees, presidents, and governments since the first college was founded in this country in 1636. The problem is a never-ending one: administrators in higher education probably will always have difficulty in matching expenditures with income, simply because colleges and universities never have the income equal to their expenditure aspirations.

From 1949 to 1952, the writer undertook a special study on the subject of financing higher education, sponsored by the Association of American Universities and supported by two leading foundations. The report of this study was published in 1952. The study disclosed that financing higher education as of 1950 was a major subject of concern for college and university administrators, state government officials, foundation executives, federal government officials, and even corporate business executives. In particular, two special financing problems were identified: the financing of private liberal arts colleges and the financing of medical schools, both public and private. Now, twenty-five years later, the same two problems—and some others as well—are still with us. So what is new?

Don't think for one moment that higher education is still being financed in 1977 on the same scale as in 1950. Far from it. In 1950, colleges and universities spent something over 2 billion dollars for their various activities. In 1977, the amount will be close to 40 billion dollars, an increase of twenty times. But enrollments have increased in these same twenty-seven years only about four times, and inflation has reduced the purchasing power of 1977 dollars to about 20 billion dollars in terms of 1950 prices. In relative terms, colleges and universities in America are at least twice as well off in 1977 as they were in 1950. Still there are problems. Few persons are interested in where higher education has been. Faculties and others want to know what has been done for them lately, or what will be done for them shortly.

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Colleges and universities, it is generally understood, produce multiple outputs. In the language of the program classification structure of the National Center for Higher Education Management Systems (NCHEMS), these multiple outputs may be identified as instruction, research, public service, student financial assistance, hospital and medical service, and the operation of independent facilities for research or some special service. Only a few colleges ever profess a single purpose or product. In the financing of higher education there are at least three major complications: (1) identifying the multiple outputs produced by an institution, (2) determining the costs associated with producing particular outputs, and (3) relating sources of income to costs of production. These complications existed twenty-five years ago and were identified by the writer in 1952. These same complications are still with us.

Several Different Budgets Essential

It is customary for college and university administrators to prepare consolidated budgets for all their outputs, and to issue periodic, usually annual, consolidated financial reports showing all major categories of expenditure and all major sources of operating income. Consolidated budgets and consolidated financial reports are necessary practices for higher education, but they often conceal more than they reveal. It is essential for administrators to prepare several different budgets before they ever prepare a consolidated budget, and it is essential for administrators to prepare several different financial reports before they ever prepare a consolidated financial report.

The number of separate budgets needed in a college or university will depend on the complexity of its operations, and on the scope and financing of its multiple outputs. At a minimum, every institution of higher education needs at least three separate current operating budgets: one for instruction, one for student financial assistance, and one for auxiliary enterprises. Throughout this discussion, only

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budgets and financial reports for current operating programs are being considered. Every college or university needs a capital improvements budget in addition to various current operating budgets, but capital budgeting is not discussed here.

Research universities and even comprehensive universities will need more than three current operating budgets. They will need a budget for sponsored research, a budget for public services, and perhaps budgets for a medical center and for independent operations. Thus a major university may well find itself with six at a minimum, and some will have as many as seven different budgets. When looking at the consolidated budget of an institution, or the consolidated financial report, it must be understood that, in effect, several different component budgets are being examined. The task of analysis and the development of understanding begins with the separate budgets, not with the consolidated budget.

Two Major Program Groupings

There is another aspect to college and university budgeting that should be mentioned here. The program classification structure recommended for colleges and universities by NCHEMS, and now embodied in large part in the chart of accounts recommended by NACUBO[1], divides the principal program groupings into two major kinds: primary programs and support programs. Personally, I don't like the label "primary programs;" the more descriptive identification of "output programs" is preferable. I believe that NCHEMS has not properly identified some program categories as output programs. Certainly, student financial assistance is an output program designed to accomplish a basic purpose of colleges and universities: the achievement of educational justice. Hospital operations are a special category of public service separately reported simply because of the size of the costs and the difficulties of income collection. And independent operations are a special kind of public service separately reported because of the special kind of financing involved. In the category of independent operations a university expects a state government or a federal government agency to pay all costs of the operation, including a proportionate share of overhead.

This matter of overhead costs deserves careful and special mention. Every organized productive entity in our economy involves overhead costs. The NCHEMS program classification structure recognizes four principal categories of support programs: academic support, student service, plant operation and maintenance, and institutional support. The NACUBO "Chart of Accounts" acknowledges still another, and for some institutions a very important, category: transfer payments. If a college or university has borrowed money with which to build capital facilities for academic purposes, it must transfer debt service requirements out of current income. If a college or university operates a student loan fund under the National Defense Education Act of 1958, as amended, it must transfer

Far too little is spent on faculty and staff development in colleges and universities. There isn't a college or university administrator in this country who isn't well aware of substantial deficiencies in expenditures for support programs.

matching requirements out of current income or out of some capital asset. If a college or university has borrowed money with which to build capital facilities for auxiliary enterprises, it must transfer debt service requirements out of current income. A prudent leader and manager of a college or university will strive to have some voluntary transfers to reserves as well as these mandatory transfers. But transfers can be just as much a current operating expense as are all other support programs.

If college or university administrators so desire, they will keep a record of all support program expenditures on the basis of total actual outlay. Then a fair proportion of these overhead or support expenditures must be allocated to the cost of auxiliary enterprises and to the cost of the output programs of instruction, sponsored research, sponsored service, hospital operations, and independent operations. There is no point in allocating any overhead to the student financial aid budget, simply because student financial aid is related only to the instructional output of a college or university.

If one is concerned about the costs of a college or university, a place to begin an analysis is with this matter of overhead support costs. In general, it appears that some output programs, such as sponsored research and sponsored public service, frequently do not bear their appropriate share of support expenditures. The reason is fairly simple. Faculty members who solicit and obtain grants for research and public service projects often fail to include a sufficient estimate of support costs in their proposals. And often private foundations and other granting agencies are reluctant to provide a sufficient amount for support costs. The justification for this situation on the part of

John D. Millett *is a senior vice president of the Academy for Educational Development and director of its Management Division. Millett holds a B.A. degree from DePauw University and M.A. and Ph.D. degrees from Columbia University. He was president of Miami University in Ohio for eleven years, and served as the first Chancellor for the Ohio Board of Regents. In 1948, he served as special assistant to the executive director of the Commission on Organization of the Executive Branch of government (Hoover Commission). This paper is based on an address given before the Oklahoma Board of Regents February 17, 1977.*

[1] National Association of College and University Business Officers, *College & University Business Administration* (Washington, D.C.: The Association, 1974), Chapter 5:6.

faculty members is that they are eager to undertake a research or public service project and that the provision of income for direct costs but not for support costs is better than no income at all. And a good argument can be made for the proposition that research projects and public service projects make a real contribution to the better instruction of students.

A special word also can be added about student aid. Both the federal and state governments have undertaken over the past twelve or so years to finance students in obtaining access to higher education, in addition to providing income for other activities. Yet the amount of income provided by governments and by various other sources has never been sufficient to meet the required costs of student aid as perceived by college and university administrators. As a consequence, institutions of higher education set aside some of their general income every year to help in financing access to higher education for students of promise and for students of meager family income. Every college and university today has a very real problem in deciding just how much it can and should spend for student aid.

In the year for which there is the most recent detailed information collected by the National Center for Education Statistics, the year 1973-1974, institutions of higher education in the United States reported total current funds income of 32 billion dollars, and total current funds expenditures of 31 billion dollars, including nearly 800 million dollars expended for physical plant. This discussion concentrates on the current funds income and current funds expenditures of public institutions of higher education, which were respectively about 21.4 billion dollars and 20.4 billion dollars.

In the accompanying table, this 21.4 billion dollars of income and the 20.4 billion dollars of expenditures have been divided into income and expenditures of public universities and colleges, and into the income and expenditures of two-year institutions. In addition, the available data about both income and expenditures have been reorganized into six component, or subsidiary, budgets. These component budgets are not the same as those shown in the published data but represent an effort to approximate the "Chart of Accounts" as recommended in *College & University Business Administration* (1974).

The first item on Table I is auxiliary enterprises. Public institutions spent 2.2 billion dollars and received some 2.3 billion dollars from these enterprises in 1973-74. It is obvious that in the aggregate, public institutions of higher education have been able to maintain a balance between the income and outgo for auxiliary enterprises.

Next is the student aid budget for 1973-74. Here, the public institutions reported 500 million dollars in student aid income but had 700 million dollars in student aid expenditures. Moreover, the entire deficit appears to have been incurred by the public universities and colleges.

Table 1

Major Budget Components of Public Institutions of Higher Education 1973-1974

Current Funds Revenues and Expenditures in Billions of Dollars

	Universities and Colleges		Two-Year Institutions	
	Income	Expenditure	Income	Expenditure
Auxiliary Enterprises	2.1	2.0	0.2	0.2
Student Aid	0.4	0.6	0.1	0.1
Research	1.9	1.6	—	—
Public Service and Independent Operations	2.7	2.2	0.4	0.4
Hospitals	0.9	0.9	—	—
Instruction	9.6	9.4	3.1	3.0
Total	17.6	16.7	3.8	3.7

Adapted from Financial Statistics of Institutions of Higher Education, Current Funds Revenues and Expenditures, 1973-1974, *data of the National Center for Education Statistics (Washington, D.C.: Government Printing Office, 1976).*

There appears to have been no such deficit among the two-year institutions.

The budget for sponsored and separately funded research in 1973-74 produced about 1.9 billion dollars in receipts and resulted in about 1.6 billion dollars in direct expenditures. Moreover, the research budget is entirely a budget of the public universities and colleges. In addition, it should be noted that the direct expenditures for research are approximately 84 percent of total income. If it can be assumed that the 16 percent average represents payments for overhead or support services, one can only observe that a 16 percent overhead income is undoubtedly inadequate.

On returning to public service and sponsored programs, including independent operations, income of 3.1 billion dollars and direct expenditures of 2.6 billion dollars are reported. It should be noted also that public service and sponsored programs are a fairly sizeable budget at two-year public institutions. The array of public service and sponsored programs is quite substantial at public institutions, including the operation of radio and television stations, various kinds of clinics, demonstration farms, concerts, testing laboratories, and many other services. These public service and sponsored programs obtain income from sales to individuals and from support of governments (federal, state, and local).

Hospital operations in conjunction with medical schools reported 900 million dollars of income and of expenditure in 1973-74. This activity occurs, of course, only at public universities and separate state medical colleges. It is interesting to note that public institutions did report hospital income in approximate balance with hospital expenditures in 1973-74. One can only hope that this balance was indeed a real one, and not just a hoped-for balance based upon sizeable patient accounts receivable. One must wonder also if hospital expenditures, like those for auxiliary enterprises, do in fact include a fair share of overhead or support expenditures.

. . . when it becomes necessary to economize in departmental budgets, departmental support costs are always the first to be reduced—often to levels that may be counterproductive.

Finally, but obviously not least, is the budget for instruction. The first notable fact about this budget is that the expenditures for instruction in 1973-74 at public universities and colleges came to just 56 percent of the total reported expenditures of public universities and colleges, while it amounted to about 80 percent of the expenditures of two-year institutions. Another fact of great importance is that there was reported in 1973-74 (as in other years) an excess of instructional income over instructional expenditures. But at public universities and colleges this surplus in the instructional budget accounts was exactly matched by the deficit in the student aid budget.

Instruction Expenditures and Instruction Income

The remainder of this discussion directs further comment to details about both instruction expenditures and instruction income. This is not to suggest that the other component budgets are not of major importance. Obviously, in public universities and colleges, budgets that comprise some 44 percent of total current funds income and current funds expenditures are of very great importance. Moreover, these other outputs of research, public service, and hospital and independent operations are the outputs that give many public universities their distinctive and unique character in state systems of higher education.

In Table 2 are presented available data about expenditures and income for instruction at public universities and colleges in 1973-74. The data about expenditures, for the four categories or groupings shown here, are set forth clearly in the reporting by the National Center for Higher Education Statistics. The data about income for instruction are not clearly segregated in current reporting practices, although it is the writer's belief that this practice is highly desirable.

The total instructional expenditures of public institutions of higher education came, as noted earlier, to 12.4 billion dollars. Some 7.4 billion dollars represented the cost of departmental instruction. The remaining 5 billion dollars represented the costs of support programs, or of institutional overhead. Of instructional expenditures of 9.4 billion dollars at public universities and colleges, just under 60 percent went into departmental instruction and just over 40 percent went into support programs. At the two-year institutions, the respective proportions were almost exactly the same. The importance of these support programs deserves special emphasis. These programs are indispensable to the operation of the output programs, including the outputs of departmental instruction.

Of the 40 percent of expenditures in support programs, about 6 percent went for academic support (mostly libraries), 13 percent went for plant operation, and 21 percent went for student service and institutional support.

When a comparison was made of the distribution of expenditures for colleges and universities as of 1950 and as of 1971, the pattern was found to be almost identical. The dollar amounts, of course, were much greater in 1971 than in 1950, but the percentage distribution by major program categories was not noticeably different.

The support costs of colleges and universities are under very heavy pressure for increases today. The figures presented here are for the academic year ending in June 1974. In the last three years the costs of energy have risen substantially, and these costs are going to rise still more

Table 2

Public Institutions of Higher Education
1973-1974

Instructional Expenditures and Income
in Billions of Dollars

	Universities and Colleges	Two-Year Institutions
Expenditures		
Departmental Instruction	5.6	1.8
Libraries	0.5	0.1
Plant Operation	1.3	0.4
Student Service and Institutional Support	2.0	0.7
Total	9.4	3.0
Income		
Tuition and Fees	2.2	0.5
Federal Government	0.8	—
State Government	6.2	1.6
Local government	0.2	1.0
Endowment and Gifts	0.1	—
Other	0.1	—
Total	9.6	3.1

Adapted from Financial Statistics of Institutions of Higher Education, Current Funds Revenues and Expenditures, 1973-1974, *data of the National Center for Education Statistics (Washington, D.C.: Government Printing Office, 1976).*

as a result of the cold winter of 1977 and of further demand on the limited energy resources now available. Other support costs are rising as well. It is becoming more and more expensive to comply with federal regulations on affirmative action and equal employment opportunity for women, minorities, and the handicapped. As access is provided to all students who are high school graduates, we are confronted with the need to expand student services of a counseling and academic development nature. Expenditures for libraries probably have been slighted in recent years, and now access to computers for instructional purposes is becoming almost as important as access to library resources. Far too little is spent on faculty and staff development in colleges and universities. There isn't a college or university administrator in this country who isn't well aware of substantial deficiencies in expenditures for support programs. Some of these costs, such as expenditures for energy, are now being called "unavoidable" costs in a number of states.

Just as administrators are aware of deficiencies in expenditures for support programs, faculty members are aware of deficiencies in the expenditures for instruction. At the departmental level expenditures must be divided between faculty compensation and departmental support, which includes compensation of secretarial and other support personnel, supplies and equipment, travel, and miscellaneous services such as computer service. I have never known an academic department or an academic college within a university whose departmental support budget was not considered inadequate. Faculty members would like to have larger budgets for secretarial and typing assistance, for travel to professional conventions and meetings, and for instructional supplies and equipment.

My endeavor, as a university administrator and as a state chancellor, was to develop a formula expressing a desired or at least a standard relationship between faculty compensation and faculty support within a departmental budget. This formula called for multiplying faculty compensation by 1.5 times in order to arrive at a total departmental budget. Whether or not the formula was the appropriate relationship between faculty compensation and faculty support, it was almost never possible to realize the relationship because of income limitations and other budgetary pressures. The fact is that when it becomes necessary to economize in departmental budgets, departmental support costs are always the first to be reduced—often to levels that may be counterproductive.

The other part of a departmental budget is, of course, the budget for faculty compensation. This budget ob-

viously is determined by two factors: the number of full-time equivalent faculty positions times the average compensation per faculty position. Here again the pressures for increases are substantial. Many faculty members consider their academic department to be understaffed in terms of the desirable number of positions. In some universities, especially research universities with large and good graduate programs, the instructional assignment per faculty member may be six credit hours a semester, or perhaps two courses a semester. In other colleges and universities the standard instructional assignment may be twelve credit hours, or perhaps four courses a semester. The standard class assignment in relation to total departmental student enrollment then determines the total number of needed full-time equivalent faculty positions. But even when student enrollment in a department is declining, the number of faculty positions may remain fairly stable.

A high proportion of faculty positions may be filled by individuals with tenure, and increasingly today tenure is regarded not as a guarantee of academic freedom but as a guarantee of employment security. And of course the argument may be made that a department should be continued regardless of its enrollment because the subject matter specialization may be essential to the concept of a "good" undergraduate education or of a "good" graduate education. In addition, the argument can be made that if you have an academic department in a discipline or professional field of specialization, you must have at least three or four positions in the discipline or field as the critical mass guaranteeing intellectual quality.

Once the issue of the number of full-time faculty positions per department has been resolved, there still remains the matter of average faculty compensation. Average faculty compensation is made up of an average faculty salary plus an average faculty fringe benefit. Faculty members generally consider themselves to be underpaid, and indeed average faculty salary increases in the United States have not kept pace with increases in the Consumer Price Index in the last several years. Then the costs of benefits as a proportion of faculty salaries are tending to increase all over the country. The federal government has increased benefit costs by legislation on social security, unemployment compensation, and retirement benefits. Administrators in higher education are still arguing with the federal government over whether retirement benefits for men and women must be the same.

The position of the Teachers Insurance and Annuity Association is that equal retirement contributions for men and women meets the standards of sexual equality, while mortality tables justify a differential retirement benefit as between men and women. This position has not yet been accepted by the federal government. If retirement benefits are to be the same for men and women faculty members regardless of their life expectancy at the time of retirement, then retirement benefit costs are going to have to be increased on many college and university campuses. Moreover, almost all colleges and universities today face increased costs for major medical benefits, a kind of benefit of great importance to all faculties in the United States in the face of the rising expense of health care delivery.

An analysis of the expenditures of a college or university for both overhead costs and departmental costs is complicated and frustrating. There are no simple solutions to reduction of expenditures; every such reduction takes away some fraction of college or university effectiveness in the delivery of a quality output in instructional service and in other outputs. One cannot establish the precise quantitative dimension of these reductions in output effectiveness, but anyone would be foolish to argue that

There are no simple solutions to reduction of expenditures; every such reduction takes away some fraction of college or university effectiveness in the delivery of a quality output in instructional service and in other outputs.

such reductions do not occur. Moreover, the analysis of expenditures is frustrating because often a strong case can indeed be made that colleges and universities ought to be spending more. Perhaps more ought to be spent for library and other instructional resources; or for student services and especially for developmental assistance to disadvantaged students; or for affirmative action in the employment of women, minorities, and the handicapped. Perhaps more should be spent to insure the occupational safety of academic facilities (notice the tragedy at the University of Pittsburgh in January); or for staff development; or for public information about the scope and value of services. Perhaps the number of faculty positions ought to be increased rather than decreased; perhaps faculty salaries should be increased more than they have been; perhaps fringe benefits or faculty support expenditures should be increased. When faculty members, administrative officers, and others have finally had to resolve all these and similar questions, the experience is indeed one of substantial frustration.

After an analysis of instructional expenditures, the next step is an examination of the sources of income available to meet these costs. There are some unfortunate complications in the income data, because the public institutions reporting their income as of 1973-74 included four military academies receiving almost all of their income from the federal government, two or three other specialized universities and colleges obtaining substantial income from the federal government, and at least three university systems obtaining municipal support. In other words, when the category of public university and college is used in this country, the predominant (though not exclusive)

meaning of the term is state universities and colleges. One must ever be mindful that there are a few public universities and colleges in the United States that are not state universities and colleges.

This fact complicates the income data presented here. If federal institutions and municipal institutions could be eliminated from the category of public universities and colleges, there would be a far more accurate record of just how state universities and colleges are financed. As it is, about 64 percent of all income of public colleges and universities was being provided by state governments as of 1973-74, and about 23 percent was provided by charges to students. At public two-year institutions, essentially three sources of instructional income are found: 50 percent from state governments, 33 or 34 percent from local governments, and about 16 percent from students.

If the federal and municipal universities and four-year colleges could be eliminated from these data, an estimate would be that as of 1973-74 state governments financed about 65 percent of the costs of instruction, that students financed about 30 percent of the costs of instruction, and that about 5 percent of instructional income was obtained from miscellaneous sources.

State Governments and Public Higher Education

These data, remember, are for the United States as a whole. The circumstances in financing instruction will vary from state to state. The story in financing public higher education is essentially the story of how each individual state government undertakes to finance the instruction of students. Essentially there are, then, just two sources of instructional income for state universities and colleges: state government appropriations and charges to students.

It would be helpful if all state universities and colleges could increase their miscellaneous income, including overhead reimbursement from the federal government, support from philanthropy, support from public service projects and programs, and other sources. State universities and colleges must be encouraged to obtain miscellaneous income, and when they do obtain such income the receiving institution should be able to retain it without any deduction from the state appropriation. Miscellaneous income can provide a margin of excellence for a state university or college, and committed as I am both to equity in the distribution of state appropriations and to excellence in the instructional performance of some state colleges and universities, I hope to see miscellaneous income increase in the years ahead. But such income cannot and should not be a major expected source of income for the instruction of all students in state universities.

The record of state governments in the support of public higher education is a remarkable one indeed. In some twenty-five years, appropriations in support of higher education programs have advanced from under 500 million dollars per year to over 12.5 billion dollars per year. This increase is twenty-five fold. Of course, not all of the more than 12.5 billion dollars in state appropriations in 1975-76 went to the instructional program of state colleges and universities. Part of the appropriations went to student aid, to research, to public service, to hospital operations, to locally sponsored colleges and universities, to independent colleges and universities, and to debt service on academic plant. Yet, an estimate is that in the aggregate last year state appropriations on behalf of instruction in state colleges and universities were about 75 percent of the total appropriations for higher education.

Moreover, between 1963 and 1973 the higher education share of total state general revenues increased in forty states and declined in only ten states. State governments had to increase their share of state general revenues going to higher education programs in the decade from 1963 to 1973 because of the great increase in enrollments in public higher education and because of the importance of higher education to economic growth.

It is likely that the tendency in the next decade will be for state governments to take a lesser rather than an expanded interest in higher education. A lesser interest in higher education does not necessarily mean stable or reduced appropriations, but it does mean a much slower rate of increase in state appropriations than in the immediate past. And a slower rate of increase in state appropriations does not necessarily mean that expenditure pressures can be reduced to balance the available state-provided income.

State government interest is likely to decline because enrollment pressures have declined, and because the higher education role in economic development has become less vital. The number of 18-year-olds in our population will begin to decline after 1978. But the proportion of 18-year-old men enrolling in higher education has declined since 1970, and the proportion of 18-year-old women enrolling has not increased. Some state colleges and universities have a smaller enrollment today than in 1972, and others have had only a relatively modest enrollment increase. The years of rapid enrollment growth have probably disappeared for higher education.

The story in financing public higher education is essentially the story of how each individual state government undertakes to finance the instruction of students.

A far more important factor is the relationship of higher education to economic growth. After 1945 a remarkable change took place in the composition of the American labor force. Employment expanded most rapidly in professional and technical positions requiring college degrees, either at the associate degree level or higher. Colleges and

universities were busy indeed providing educated talent to a labor market whose demand for such talent was exceedingly strong. Then, suddenly, the labor market had a surplus rather than a deficit in educated talent. There are today certain labor market analysts who say that the economy will not have a balance between supply and demand for educated talent during the next twenty years.

There is likely to be an upgrading in the level of educational attainment of all persons employed in all kinds of jobs over the next two or three decades. But the deficit of educated talent in the economy is a phenomenon that is past. As a consequence, the social and economic importance of higher education will be less than in the three decades after 1945. To be sure, the importance of academic research and of academic public service may increase in the years ahead, but this prospect is by no means certain. The reasonable prospect for the next decade or more is a declining economic importance of higher education.

It is likely that the tendency in the next decade will be for state governments to take a lesser rather than an expanded interest in higher education.

Declining economic importance means declining interest on the part of state governments in higher education. Of course, the importance of higher education in society should not be measured solely by a standard of economic utility. But when state colleges and universities seek increased state appropriations and larger economic resources, and cannot demonstrate a corresponding economic benefit for society, the expectation of larger appropriations is not apt to be reasonable, or at least not realizable.

If, then, state colleges and universities are to have increased income in order to meet increased expenditures, an alternative to increased state appropriations is an increase in tuition charges to students. Such increases will be opposed by students, and state government officials are not happy about the prospect. Neither are state university administrators enthusiastic about higher tuition charges. But if the subject of higher state tuition is considered solely in political terms, or solely in traditional terms, or solely in emotional terms, a grave disservice will be done to public higher education in this country. The issue to be examined is not the question of whether student tuition charges are desirable. The issue is whether public higher education will decline in value to both the individual and society if student charges are not increased.

There is a very real danger that stable tuition charges to students in state universities will not bring about increased state appropriations but will bring about a steady deterioration in public higher education. This writer is not enthusiastic about higher tuition charges to students in public colleges and universities. However, if there must be a choice between higher charges to students and deterioration of public higher education, I stand for no deterioration.

Higher tuition charges in public colleges and universities, if kept within some reasonable limits, need not mean a diminution in access to higher education. Already both the federal and state governments are providing support directly to students from lower-income families. It is said that students from middle-income families will be disadvantaged if tuition charges are increased at public universities. Although real, this danger can easily be exaggerated. The middle-income family may have to reassess its expenditure priorities. And the student from some middle-income families may have to enroll in higher education on a part-time basis. Yet, an integration of the world of work and the world of higher education may not be entirely undesirable. Some instructional attitudes and practices may have to be redesigned to fit changing circumstances, but this development may be beneficial rather than harmful.

The financing of public higher education in the years ahead will present some hard choices for faculty members, for students, for administrators, and for officials of state government. It is to be hoped that in the process of choice the essential issue will not be overlooked: the continued viability and quality of public higher education in the United States.

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Correction: In the June 1977 *Professional File*, "The Management of Cash," by William W. Boyles, the author was incorrectly listed as being associated with the University of Alabama. He is the business manager of the Sumter Campus of the University of South Carolina. In the same paper, the last sentence on page 5 should read "With more and more banks paying interest on savings accounts from the day of deposit to the day of withdrawal, the convenience of almost absolute liquidity may outweigh the somewhat *higher* interest rates offered by other investments that have a comparable degree of safety." In Figure 4, page 6, the final listing under "U.S. Agencies" should be Federal National *Mortgage* Association.